

Paris, December 9, 2015

Institutional investors bullish on stocks, alternatives in 2016, wary of global political tensions, Natixis Survey Shows

- Large investors significantly increase allocations to alternatives in hunt for yield
- Market volatility biggest risk to investment performance
- Most investors will shorten bond durations when rates rise

Natixis surveyed 660 institutional investors around the globe on their year-ahead market outlook and asset allocation plans. Institutional investors expect stocks to be the best-performing assets in 2016, according to a survey released today by Natixis Global Asset Management. The study also found that investors believe global political tensions and changing interest rates will make markets volatile. In response, they plan to increase diversification and devote more of their portfolios to alternative assets.

The study found:

- **Hopes high for equities:** Institutional investors expect equities to perform better than any other asset category next year, with global stocks outperforming both U.S. and emerging markets equities.
- **Increased use of non-correlated assets:** Over the next year, most institutional investors will maintain or raise their holdings of non-correlated assets, including 50% who will increase private equity holdings and 45% who will increase private debt, while 41% will increase allocations to hedge funds and 34% will add hard assets such as real estate. The majority (56%) believes their alternative assets will perform better in 2016 than they have this year.
- **Decreased use of bonds:** On average, institutions currently allocate 28% of their portfolios to fixed income. Over the next year, 42% of institutions expect to decrease their allocation to fixed income, the largest allocation decrease of all asset classes. Just 16% plan to increase their allocation to fixed income.
- **Top sources of market volatility:** More than half of institutions (54%) predict global politics will be the No. 1 cause of market volatility next year. Investors say markets are also at risk of economic woes in China (49%), differing international monetary policies (47%) and changes in interest rates (46%).
- **Uncertain performance:** Institutional investors say market volatility is the biggest risk to their investment performance next year, followed by sluggish economic growth and monetary policy concerns.

"Central bank policies, market volatility and other outside events have a big influence on institutional investors," said John Hailer, Head of global distribution and Chief Executive Officer of Natixis Global Asset Management in the Americas and Asia. *"They are eager to improve their income and performance in this environment. We're seeing a surge in demand for innovative strategies that target specific needs across more diversified, complex portfolios."*

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Mixing active and passive management

The findings favor a hybrid approach to active and passive investing. The survey found institutions are using actively managed investments to generate alpha and for exposure to non-correlated assets, while they use passively managed investments primarily for equities and to minimize management fees.

Notably, two-thirds of investors (67%) believe world economic factors and higher market volatility will favor actively managed assets over passive investments in 2016.

Changing rates? Investors juggle bonds

Many countries, including the United States, are on the verge of raising rates. Others are holding steady or have recently cut rates. The divergence in policy is unsettling to many institutions and could contribute to volatility next year.

If the U.S. Federal Reserve and other central banks raise rates from their historic lows, institutional investors are poised to make several portfolio modifications.

The majority (65%) will move from longer-duration bonds to those with shorter durations. Other adjustments include reducing their overall exposure to bonds (49%), raising their allocations to alternative investments (47%) and using absolute return strategies (47%).

"In a high volatility market context, with divergent monetary policies and global political unrest, institutional investors are increasing allocations to alternatives in a hunt for yield," explains Christophe Point, Managing Director of Natixis Global Asset Management Distribution for France, French-speaking Switzerland and Monaco. *"These strategies are a source of diversification, a critical component to building a more durable portfolio over the long term",* concludes Christophe Point.

About the survey

Natixis Global Asset Management conducted an ONLINE survey of 660 institutional investors in the United States, Latin America, the United Kingdom, continental Europe, the Middle East and Asia in October.

The findings are included in a whitepaper, *"2016 in focus, the investment outlook for institutional investors"*, published by the Natixis Durable Portfolio Construction Research Center. To download a copy, visit <http://durableportfolios.com>. The findings are part of a larger global study that will be published next month.

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About Natixis Global Asset Management

Natixis Global Asset Management, S.A. is a multi-affiliate organization that offers a single point of access to more than 20 specialized investment firms in the Americas, Europe and Asia. The firm ranks among the world's largest asset managers.¹ Through its Durable Portfolio Construction® philosophy, the company is dedicated to providing innovative ideas on asset allocation and risk management that can help institutions, advisors and individuals address a range of modern market challenges. Natixis Global Asset Management, S.A brings together the expertise of multiple specialized investment managers based in Europe, the Americas and Asia to offer a wide spectrum of equity, fixed-income and alternative investment strategies.

Headquartered in Paris and Boston, Natixis Global Asset Management, S.A.'s assets under management totaled \$865.9 billion (€775.5 billion) as of September 30, 2015.² Natixis Global Asset Management, S.A. is part of Natixis. Listed on the Paris Stock Exchange, Natixis is a subsidiary of BPCE, the second-largest banking group in France. Natixis Global Asset Management, S.A.'s affiliated investment management firms and distribution and service groups include Active Investment Advisors;³ AEW Capital Management; AEW Europe; AlphaSimplex Group; Aurora Investment Management; Axeltis; Capital Growth Management; Cube Infrastructure Managers; Darius Capital Partners; DNCA Investments;⁴ Dorval Finance;⁵ Emerise;⁶ Gateway Investment Advisers; H2O Asset Management;⁵ Harris Associates; IDFC Asset Management Company; Loomis, Sayles & Company; Managed Portfolio Advisors;³ McDonnell Investment Management; Mirova;⁵ Natixis Asset Management; Ossiam; Seeyond;⁷ Snyder Capital Management; Vaughan Nelson Investment Management; Vega Investment Managers; and Natixis Global Asset Management Private Equity, which includes Seventure Partners, Naxicap Partners, Alliance Entreprendre, Euro Private Equity, Caspian Private Equity and Eagle Asia Partners. Visit <http://ngam.natixis.com> for more information.

Natixis Global Asset Management also includes business development units located across the globe, including NGAM S.A., a Luxembourg management company authorized and regulated by the CSSF, as well as branch offices of NGAM Distribution in France.

1 Cerulli Quantitative Update: Global Markets 2015 ranked Natixis Global Asset Management, S.A. as the 17th largest asset manager in the world based on assets under management (\$890.0 billion) as of December 31, 2014.

2 Net asset value as of September 30, 2015. Assets under management (AUM) may include assets for which non-regulatory AUM services are provided. Non-regulatory AUM includes assets which do not fall within the U.S. Securities and Exchange Commission's definition of 'regulatory AUM' in Form ADV, Part 1.

3 A division of NGAM Advisors, L.P.

4 A brand of DNCA Finance.

5 A subsidiary of Natixis Asset Management.

6 A brand of Natixis Asset Management and Natixis Asset Management Asia Limited, based in Singapore and Paris.

7 A brand of Natixis Asset Management

About Natixis

Natixis is the international corporate, investment, insurance and financial services arm of Groupe BPCE, the 2nd-largest banking group in France with 36 million clients spread over two retail banking networks, Banque Populaire and Caisse d'Épargne.

With more than 16,000 employees, Natixis has a number of areas of expertise that are organized into three main business lines: Corporate & Investment Banking, Investment Solutions & Insurance, and Specialized Financial Services.

A global player, Natixis has its own client base of companies, financial institutions and institutional investors as well as the client base of individuals, professionals and small and medium-size businesses of Groupe BPCE's banking networks.

Figures as at June 30, 2015